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FISCAL IMPACT STATEMENT

LS 7003

BILL NUMBER: HB 1242

NOTE PREPARED: Jan 5, 2004

BILL AMENDED:

SUBJECT: Elkhart County Innkeeper's Tax.

FIRST AUTHOR: Rep. Friend

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: The bill authorizes Elkhart County to increase its innkeeper's tax rate by 2% to provide funding for a unique event to be conducted between Thanksgiving and New Year's Day of each year. The bill authorizes the Elkhart County Convention and Visitor Commission (the Commission) to issue bonds, notes, or other obligations, or to enter into leases, to pay expenses incurred in producing the event. The bill authorizes the Commission to use eminent domain to acquire property for the facilities.

Effective Date: Upon passage.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: Under the bill, the Elkhart County Treasurer would be required to establish an account to deposit revenue from the additional revenue generated from the 2% County Innkeeper's Tax increase. Money in the account would be expended only to pay:

- (1) Costs incurred in producing the unique event.
- (2) Debt service on bonds, notes, or other obligations issued by the Commission.
- (3) Lease rentals on leases entered into by the Commission as added by the bill.
- (4) Payments pledged by the Commission to bonds, notes or other obligations of the Commission.

The bill would allow expenditures from any combination of the above listed uses.

The Commission would be able to issue bonds, notes or other obligations to cover the cost of the event. The Commission would also be able to enter into leases, pledge revenues collected from the additional tax rate, enter into agreements, and exercise eminent domain to acquire property for the event under the provisions of the bill.

Bonds issued under the bill, would not be able to exceed a term of 20 years, with respect to the original term of the bonds, notes or other obligations. Bonds would not be able to exceed 30 years with respect to the term of any refunding bonds, notes, or other obligations. Leases entered into, under the bill, would not be able to exceed a term of 20 years.

Explanation of Local Revenues: *Summary:* Under the bill, an additional 2% rate on the Elkhart County Innkeeper's Tax would raise an estimated \$414,000 per year. The estimate assumes that occupancy rates in hotels throughout the County would remain constant over time.

Use of Revenue: Under the bill, the amount of revenue generated from an additional 2% rate would be used for a unique event in Elkhart County as described in the bill. Under the bill, the Commission would have sole authority to disburse funds from the account established for the deposit of the additional revenue. (See Explanation of Local Expenditures.)

Background: Elkhart County collected \$1,034,219 in Innkeeper's Tax for FY 2003 at a tax rate of 5%.

State Agencies Affected:

Local Agencies Affected: Elkhart County

Information Sources: *Indiana Handbook of Taxes, Revenues, and Appropriations, FY 2003.*

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